



Lloyds Bank West Midlands PMI®

Lloyds Bank Commercial Banking

Lloyds Bank Commercial Banking provides comprehensive expert financial services to businesses of all sizes, from start-ups, through to small businesses, mid-sized businesses and multinational corporations. These corporate clients range from privately-owned firms to FTSE 100 PLCs, multinational corporations and financial institutions.

Maintaining a network of relationship teams across the UK, as well as internationally, Lloyds Bank Commercial Banking delivers the mix of local understanding and global expertise necessary to provide long-term support and advice to its clients.

Lloyds Bank Commercial Banking offers a broad range of finance beyond just term lending and this spans import and export trade finance, structured and asset finance, securitisation facilities and capital market funding. Its product specialists provide bespoke financial services and solutions including tailored cash management, international trade, treasury and risk management services.

The Lloyds Bank Commercial Banking West Midlands PMI® (Purchasing Managers' Index®) is produced for Lloyds Bank Commercial Banking by Markit.

The report features original survey data collected in January 2014 from a representative panel of companies based in the West Midlands and operating in both manufacturing and service sectors.

The West Midlands survey forms part of a series of ten regional surveys published by Lloyds Bank Commercial Banking and is derived from the highly regarded national PMI surveys produced by Markit.

For further information, please contact: economics@markit.com

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10th February 2014

Activity growth remains strong in January, despite easing from survey record

Key findings:

- Marked, albeit slower, expansions in output and new orders
- Increases in backlogs and employment signalled
- Output prices rise at weakest rate in four months

The latest Lloyds Bank Commercial Banking West Midlands PMI® report highlighted further strong growth of business activity in the region's private sector economy during January. Although easing from the survey-record high recorded in December, the rate of expansion remained comfortably above the UK average. New business similarly rose at a marked pace, albeit slower than the previous month's peak. Backlogs of work increased at a faster rate, encouraging firms to hire additional staff. Input price inflation quickened slightly, but output charges rose at the slowest pace in four months.

Output and demand

The seasonally adjusted Lloyds Bank Commercial Banking West Midlands Business Activity Index – which measures the combined output of the region's manufacturing and service sectors – posted 60.9 in January. This was down from 61.7 in the previous month, but still well above the survey's long-run average (53.0). Data indicated strong rates of expansion across both the manufacturing and service sectors.

Supporting higher activity was a further rise in the level of new business placed with private sector firms in the West Midlands. The rate of growth in new work remained substantial, despite easing to a three-month low. The launch of new product ranges, stronger demand from export markets and increased marketing activity were reported by panellists to have underpinned higher new business.

Employment and backlogs

The rate of job creation in the West Midlands private sector remained solid in January, albeit slower than the UK average.

Companies' hiring was encouraged by rising backlogs of work. The latest increase in outstanding business was the sixth in consecutive months and, although moderate, the sharpest since last September.

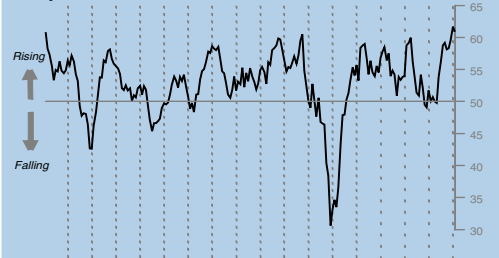
Input and output prices

West Midlands private sector firms reported a slightly sharper rise in input costs during January. However, the rate of inflation remained slower than the long-run series average.

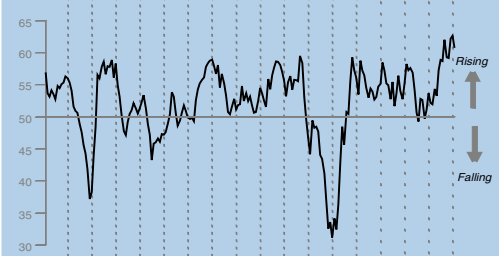
Output price inflation eased in January, reaching its slowest pace in four months.

West Midlands Business Conditions

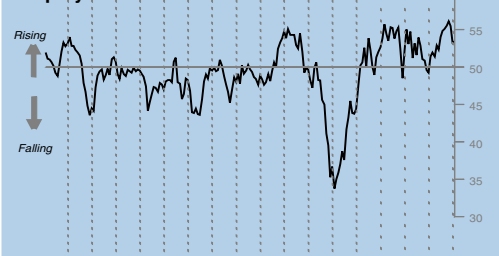
Output



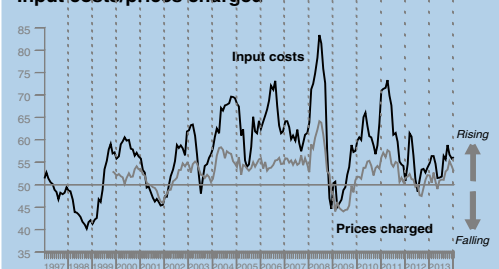
Order Books



Employment



Input costs/prices charged

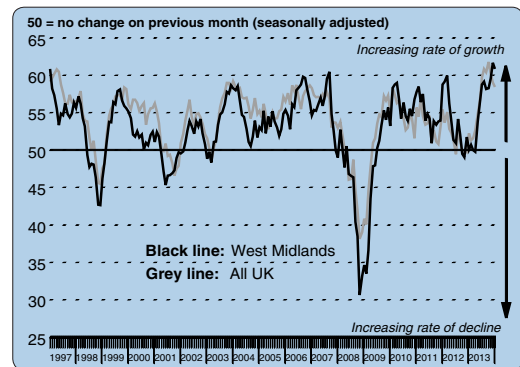




Output / Business Activity

Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	May	27.3	57.3	15.5	55.9	53.9	54.9
	Jun	34.9	53.2	11.9	61.5	56.3	56.6
	Jul	32.7	46.9	20.4	56.1	58.8	59.7
	Aug	29.9	50.5	19.6	55.1	59.2	60.9
	Sep	34.7	44.6	20.8	56.9	58.2	60.4
	Oct	35.3	43.1	21.6	56.9	58.3	61.8
	Nov	34.9	50.9	14.2	60.4	59.6	60.2
	Dec	32.7	55.5	11.8	60.5	61.7	59.1
2014	Jan	31.9	46.6	21.6	55.2	60.9	58.5

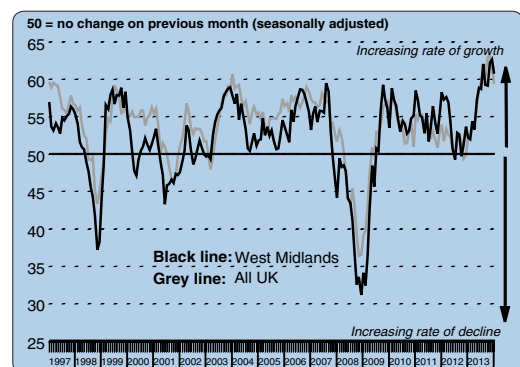


West Midlands private sector companies reported a further rise in business activity during January. The rate of growth remained strong, despite easing from December's survey record. This was signalled by the seasonally adjusted Business Activity Index posting 60.9, down from 61.7. The region continued to outperform the UK average in terms of output growth during the latest survey period.

New Orders / Incoming New Business

Q. Is the level of new orders or incoming new business at your company higher, the same or lower this month than one month ago?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	May	34.3	47.2	18.5	57.9	57.3	56.6
	Jun	37.6	48.6	13.8	61.9	58.9	58.4
	Jul	34.7	42.9	22.4	56.1	58.7	59.7
	Aug	39.6	41.5	18.9	60.4	62.1	61.4
	Sep	37.4	41.4	21.2	58.1	59.3	60.4
	Oct	35.6	42.6	21.8	56.9	59.2	63.0
	Nov	37.5	49.0	13.5	62.0	62.2	63.3
	Dec	36.7	47.7	15.6	60.6	62.7	61.8
2014	Jan	33.3	48.2	18.4	57.5	60.8	59.4

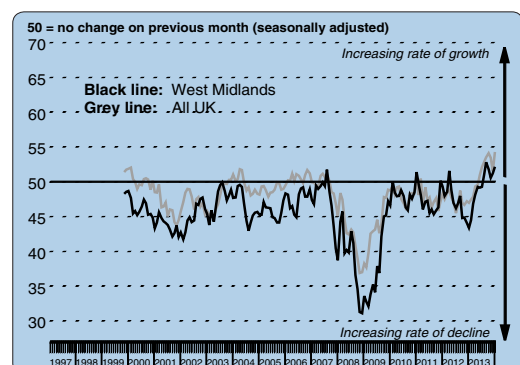


Although easing to a three-month low, growth of new business in the West Midlands private sector remained strong in January. This was signalled by the seasonally adjusted Incoming New Business Index recording 60.8, down from a series high of 62.7 in December. Around 33% of panellists reported an increase in new work during the latest month, compared with approximately 18% that signalled a decline. New product launches, improved export demand and increased marketing activity were among the reasons cited by panellists as having boosted new business.

Business Outstanding

Q. Is the level of business outstanding at your company higher, the same or lower this month than one month ago?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	May	12.4	76.2	11.4	50.5	49.3	49.6
	Jun	17.0	67.9	15.1	50.9	49.2	51.0
	Jul	14.7	68.4	16.8	48.9	49.3	52.1
	Aug	16.3	72.1	11.5	52.4	50.9	52.8
	Sep	19.6	59.8	20.6	49.5	52.8	53.5
	Oct	15.3	66.3	18.4	48.5	51.8	54.2
	Nov	14.0	68.0	18.0	48.0	50.6	53.5
	Dec	18.3	63.5	18.3	50.0	51.2	51.5
2014	Jan	18.5	60.2	21.3	48.6	52.2	54.3



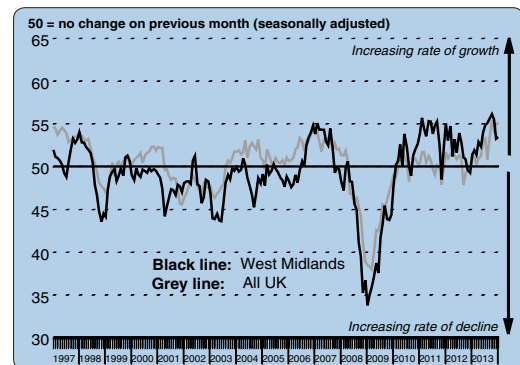
Outstanding business at West Midlands private sector companies increased for a sixth successive month in January. The rate of growth quickened to the fastest since last September, but remained moderate. This was signalled by the seasonally adjusted Business Outstanding Index posting 52.2, up from 51.2 in December. The region recorded a slower expansion of unfinished work than the UK average in the latest survey period.



Employment

Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

		West Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	May	18.5	67.6	13.9	52.3	52.4	51.3
	Jun	24.8	66.1	9.2	57.8	54.0	53.1
	Jul	21.4	72.4	6.1	57.7	54.9	53.3
	Aug	21.5	71.0	7.5	57.0	55.1	50.8
	Sep	25.3	62.6	12.1	56.6	55.6	53.3
	Oct	22.8	68.3	8.9	56.9	56.2	55.4
	Nov	15.2	72.4	12.4	51.4	55.5	54.3
	Dec	15.6	68.8	15.6	50.0	53.3	54.9
2014	Jan	16.7	71.1	12.3	52.2	53.5	55.2

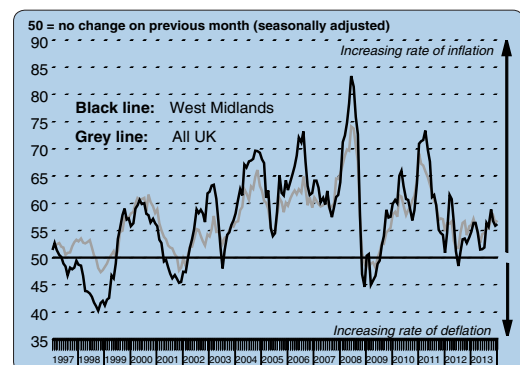


Employment in the West Midlands private sector continued to rise during January. The rate of job creation was little-changed from the solid pace recorded in December. This was highlighted by the seasonally adjusted Employment Index posting 53.5, up fractionally from 53.3. The rate of job creation in the region remained slower than that indicated across the UK as a whole.

Input Prices / Costs

Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

		West Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	May	10.9	78.2	10.9	50.0	51.5	52.8
	Jun	12.7	78.2	9.1	51.8	51.6	54.4
	Jul	13.1	73.7	13.1	50.0	51.9	54.6
	Aug	13.9	83.3	2.8	55.6	56.4	55.3
	Sep	16.7	75.5	7.8	54.4	55.7	55.3
	Oct	24.3	68.0	7.8	58.3	58.9	57.2
	Nov	14.2	74.5	11.3	51.4	56.7	57.8
	Dec	10.8	81.1	8.1	51.4	55.9	56.4
2014	Jan	19.8	74.1	6.0	56.9	56.2	56.9

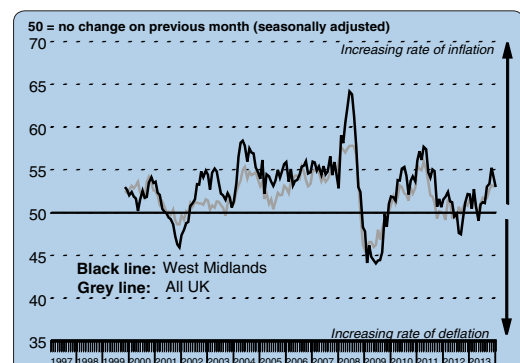


The rate of input price inflation in the West Midlands private sector economy quickened slightly during January, although it remained below the survey's long-run average. The seasonally adjusted Input Prices Index posted 56.2, up from 55.9 in December. Data signalled that cost inflation was stronger in the service sector than in manufacturing. Raw materials, utilities and salaries were reported by panellists to have contributed to increased input prices.

Output Prices

Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

		West Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	May	6.4	84.5	9.1	48.6	49.1	50.4
	Jun	7.3	87.3	5.5	50.9	51.0	51.1
	Jul	8.1	84.8	7.1	50.5	51.2	51.8
	Aug	6.5	88.8	4.7	50.9	51.1	51.6
	Sep	6.9	89.2	3.9	51.5	53.0	51.7
	Oct	10.7	83.5	5.8	52.4	53.4	52.7
	Nov	12.3	82.1	5.7	53.3	55.2	53.2
	Dec	6.3	89.2	4.5	50.9	54.2	53.1
2014	Jan	13.8	81.0	5.2	54.3	53.0	53.3

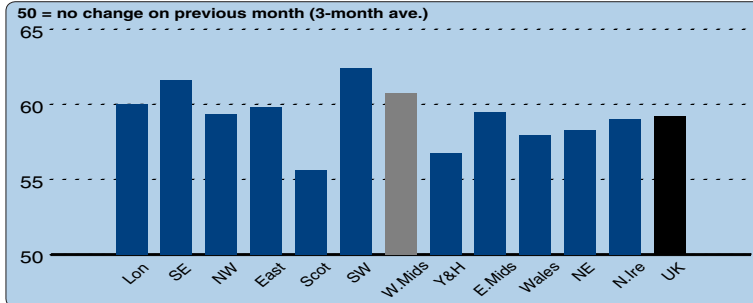


January data signalled a slower rise in West Midlands private sector firms' output prices. The seasonally adjusted Output Prices Index posted 53.0, down from 54.2 in December, signalling the slowest rise in charges since last September. It was also slightly below the equivalent index for the UK as a whole. Around 14% of firms recorded a rise in charges, compared with 5% that noted a decline.



Regional Comparisons: Output

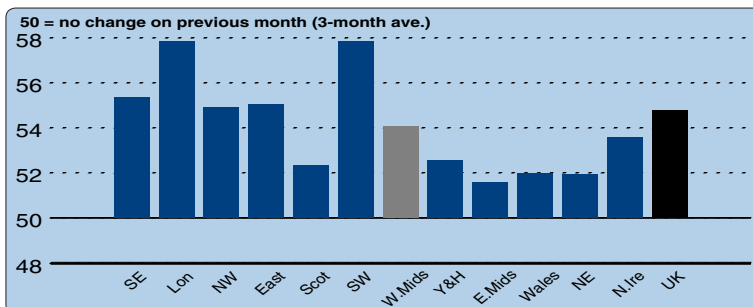
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong output growth was recorded across all 12 UK regions on average in the three months to January. Companies in the South West and South East posted the fastest rates of expansion respectively.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	58.7	60.0	57.0
South East	(14.7%)	57.9	61.6	61.5
North West	(9.5%)	57.9	59.3	58.9
East of England	(8.7%)	56.5	59.8	59.9
Scotland	(8.3%)	55.5	55.6	57.2
South West	(7.7%)	57.3	62.4	62.8
West Midlands	(7.3%)	56.5	60.7	60.9
Yorks & Humber	(7.0%)	56.6	56.8	57.6
East Midlands	(6.4%)	57.0	59.5	56.2
Wales	(3.6%)	57.0	57.9	58.2
North East	(3.2%)	54.0	58.3	56.8
N.Ireland	(2.2%)	54.5	59.0	60.4
UK	(100.0%)	57.3	59.2	58.5

Regional Comparisons: Employment

The graph below shows the regional PMI Employment Indexes for the UK. An average of the latest three months is used (see also the table to the right). Net job hiring was recorded in all 12 UK regions monitored by the survey in the three months to January. London and the South West registered the steepest increases in employment numbers. The East Midlands, North East and Wales posted the least marked rises in staffing levels.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	53.1	55.3	54.3
London	(12.3%)	53.9	57.9	58.5
North West	(10.9%)	52.9	54.9	56.6
East of England	(9.6%)	53.2	55.0	55.3
Scotland	(8.7%)	52.2	52.4	52.3
South West	(8.6%)	53.8	57.9	58.9
West Midlands	(8.6%)	53.9	54.1	53.5
Yorks & Humber	(8.2%)	50.7	52.6	55.0
East Midlands	(7.3%)	51.1	51.6	50.9
Wales	(4.6%)	52.2	52.0	52.3
North East	(3.9%)	50.9	52.0	53.3
N.Ireland	(2.7%)	50.8	53.6	55.0
UK	(100.0%)	52.8	54.8	55.2

PMI Survey Methodology

PMI surveys

Purchasing Managers' Indexes® (PMIs®) are monthly surveys of carefully selected companies which provide an advance indication of what is really happening in the private sector economy by tracking variables such as output, new orders, employment and prices across both manufacturing and service sectors. The PMI surveys are based on fact, not opinion, and are the first indicators of economic conditions each month. The data are collected using identical methods in all countries and regions so that accurate comparisons may be made.

Questionnaires are completed in the latter half of each month and are collected and processed by economists at Markit Economics. Respondents are asked to state whether business conditions for a number of variables have improved, deteriorated or stayed the same compared with the previous month.

Index numbers

Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration.

Reasons given by survey respondents for any changes are analysed to provide insight into the causes of movements in the indices and are also used to adjust for expected seasonal variations. The indexes are seasonally adjusted to take into consideration expected variations for the time of year, such as summer holiday shutdowns and national holidays such as Christmas.

About Lloyds Bank Commercial Banking and Markit Economics

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Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index® (PMI®) series, which is now available for 32 countries and also for key regions including the Eurozone.

The PMIs have become the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.